

**REPORT OF THE AUDIT OF THE  
CARROLL COUNTY  
SHERIFF**

**For The Year Ended  
December 31, 2003**



**CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS  
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## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE CARROLL COUNTY SHERIFF**

**For The Year Ended  
December 31, 2003**

The Auditor of Public Accounts has completed the Carroll County Sheriff's audit for the year ended December 31, 2003. Based upon the audit work performed, the financial statement presents fairly, in all material respects, the revenues, expenditures, and excess fees in conformity with the regulatory basis of accounting.

#### **Financial Condition:**

Excess fees decreased by \$8,758 from the prior calendar year, resulting in excess fees of \$31,301 as of December 31, 2003. Revenues increased by \$10,653 from the prior year and disbursements increased by \$12,246.

#### **Report Comments:**

- Lacks Adequate Segregation Of Duties
- The Sheriff Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits

#### **Deposits:**

On November 17, 2003, \$6,663 of the Sheriff's deposits of public funds in depository institutions were uninsured and unsecured.



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**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable Harold Tomlinson, Carroll County Judge/Executive  
The Honorable Charles Maiden, Jr., Carroll County Sheriff  
Members of the Carroll County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues, expenditures, and excess fees - regulatory basis of the County Sheriff of Carroll County, Kentucky, for the year ended December 31, 2003. This financial statement is the responsibility of the County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Sheriff's office prepares the financial statement on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, expenditures, and excess fees of the County Sheriff for the year ended December 31, 2003, in conformity with the regulatory basis of accounting.

In accordance with Government Auditing Standards, we have also issued our report dated July 7, 2004, on our consideration of the County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.



The Honorable Harold Tomlinson, Carroll County Judge/Executive  
The Honorable Charles Maiden, Jr., Carroll County Sheriff  
Members of the Carroll County Fiscal Court

Based on the results of our audit, we have presented the accompanying comments and recommendations, included herein, which discusses the following report comments:

- Lacks Adequate Segregation Of Duties
- The Sheriff Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits

This report is intended solely for the information and use of the County Sheriff and Fiscal Court of Carroll County, Kentucky and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these interested parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen  
Auditor of Public Accounts

Audit fieldwork completed -  
July 7, 2004



CARROLL COUNTY  
CHARLES MAIDEN, JR., COUNTY SHERIFF  
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2003

Revenues

State-Kentucky Law Enforcement Foundation Program Fund		\$	12,139
State Fees For Services:			
Finance and Administration Cabinet	\$	30,643	
Sheriff Security Service		<u>39,661</u>	70,304
Circuit Court Clerk:			
Fines and Fees Collected			1,540
Fiscal Court			19,494
County Clerk:			
Delinquent Taxes	\$	1,007	
Election Commission		<u>172</u>	1,179
Commission On Taxes Collected			188,359
Fees Collected For Services:			
Auto Inspections	\$	6,774	
Carrying Concealed Deadly Weapons Permits		2,310	
Serving Papers		<u>21,460</u>	30,544
Other:			
Add-on Fees	\$	8,402	
Miscellaneous		5,323	
Transporting Prisoners		<u>612</u>	14,337
Interest Earned			1,634
Borrowed Money:			
State Advancement	\$	95,000	
Loan from 2002 Fee Account		14,500	
Repayment from 2004 Fee Account		<u>10,000</u>	119,500
Total Revenues			<u>\$ 459,030</u>

The accompanying notes are an integral part of the financial statement.

CARROLL COUNTY  
 CHARLES MAIDEN, JR., COUNTY SHERIFF  
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS  
 For The Year Ended December 31, 2003  
 (Continued)

Expenditures

Operating Expenditures and Capital Outlay:

Personnel Services-

Deputies' Salaries	\$	98,202	
Part-Time Salaries		18,553	
Other Salaries		25,005	
KLEFPF Pay		12,400	
Overtime		11,099	

Employee Benefits-

Match KLEFPF		794	
Employer Paid Health Insurance		21,294	\$ 187,347

Materials and Supplies-

Office Materials and Supplies	\$	2,077	
Uniforms		6,033	

Auto Expense-

Gasoline		13,481	
Maintenance and Repairs		8,010	

Other Charges-

Conventions and Travel		2,422	
Dues		463	
Postage		2,819	
Telephone		8,030	
Bond		756	
Carrying Concealed Deadly Weapon Permits		1,790	
Fee Assessed for Service to Fiscal Court		5,450	
Transporting Prisoners		845	
Miscellaneous		2,824	55,000

The accompanying notes are an integral part of the financial statement.

CARROLL COUNTY  
 CHARLES MAIDEN, JR., COUNTY SHERIFF  
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS  
 For The Year Ended December 31, 2003  
 (Continued)

Expenditures (Continued)

Operating Expenditures and Capital Outlay: (Continued)

Capital Outlay-

Office Equipment		\$	906
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Debt Service:

State Advancement	\$	95,000	
Repayment of 2002 Fee Account		14,500	
Loan to 2004 Fee Account		10,000	119,500
			<hr/>

Total Expenditures		\$	362,753
			<hr/>

Net Receipts		\$	96,277
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Less: Statutory Maximum	\$	62,753	
Training Incentive Benefit		2,223	64,976
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Excess Fees Due County for 2003		\$	31,301
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Payments to Fiscal Court - February 9, 2004	\$	31,234	
April 5, 2004		67	31,301
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Balance Due Fiscal Court at Completion of Audit		\$	0
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The accompanying notes are an integral part of the financial statement.

CARROLL COUNTY  
NOTES TO FINANCIAL STATEMENT

December 31, 2003

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

Kentucky Revised Statute (KRS) 64.820 directs the fiscal court to collect any amount, including excess fees, due from the County Sheriff as determined by the audit. KRS 134.310 requires the County Sheriff to settle excess fees with the fiscal court at the time he files his final settlement with fiscal court.

The financial statement has been prepared on a regulatory basis of accounting which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting, revenues and expenditures are recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive) at December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2003 services
- Reimbursements for 2003 activities
- Tax commissions from December tax collections
- Payments due other governmental entities for payroll
- Payments due vendors for goods or services provided in 2003

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

CARROLL COUNTY  
NOTES TO FINANCIAL STATEMENT  
December 31, 2003  
(Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 6.34 percent for the first six months of the year and 7.34 percent for the last six months of the year. Hazardous covered employees are required to contribute 8.0 percent of their salary to the plan. The county's contribution rate for hazardous employees was 16.28 percent for the first six months and 18.51 percent for the last six months of the year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

Note 3. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The Sheriff entered into a written agreement with the depository institution and met requirements (a), (b), and (c) stated above. However, as of November 17, 2003, the collateral and FDIC insurance together did not equal or exceed the amount on deposit, leaving \$6,663 of public funds uninsured and unsecured.

CARROLL COUNTY  
 NOTES TO FINANCIAL STATEMENT  
 December 31, 2003  
 (Continued)

Note 3. Deposits (Continued)

The county official's deposits are categorized below to give an indication of the level of risk assumed by the county official as of November 17, 2003.

	<u>Bank Balance</u>
FDIC insured	\$ 100,000
Collateralized with securities held by pledging depository institution in the county official's name	27,416
Uncollateralized and uninsured	<u>6,663</u>
Total	<u>\$ 134,079</u>

Note 4. K-9 Account

The Sheriff has an account used for the care and upkeep of a drug dog. The account is also used for making drug buys. The account had a beginning balance of \$4,358, receipts of \$5,543 and disbursements \$7,571. The account had an ending balance of \$2,330 as of December 31, 2003.

Note 5. Lease

The office of the County Sheriff is committed to a lease agreement with De Lage Landen for a copy machine. The agreement requires a monthly payment of \$82 for 48 months to be completed in July 2006. The total balance of the agreement was \$2,460 as of December 31, 2003.

## COMMENTS AND RECOMMENDATIONS





CARROLL COUNTY  
CHARLES MAIDEN, JR., COUNTY SHERIFF  
COMMENTS AND RECOMMENDATIONS

For The Year Ended December 31, 2003

STATE LAWS AND REGULATIONS:

The Sheriff Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits

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On November 17, 2003, \$6,663 of the Sheriff's deposits of public funds in depository institutions were uninsured and unsecured. According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with Federal Deposit Insurance Corporation insurance, equals or exceeds the amount of public funds on deposit at all times. We recommend that the Sheriff require the depository institution to pledge or provide collateral in an amount sufficient to secure deposits of public funds at all times.

*County Sheriff's Response:*

*No response.*

INTERNAL CONTROL - REPORTABLE CONDITION:

Lacks Adequate Segregation Of Duties

We noted the lack of adequate segregation of duties for the internal control structure and its operation that in our judgement is a reportable condition under standards established by the American Institute of Certified Public Accountants. Due to the entity's diversity of official operations, small size and budget restrictions, the County Sheriff has limited options for establishing an adequate segregation of duties. We recommend that the following compensating controls be implemented to offset this internal control weakness:

- The Sheriff Should Periodically Compare A Daily Bank Deposit To The Daily Checkout Sheet And Then Compare The Daily Checkout Sheet To The Receipts Ledger.
- The Sheriff Should Compare The Quarterly Financial Report To Receipts And Disbursements Ledgers For Accuracy.
- The Sheriff Should Periodically Compare Invoices To Payments.
- The Sheriff Should Periodically Compare The Bank Reconciliation To The Balance In The Checkbook. Any Differences Should Be Reconciled.

These reviews should be indicated with the Sheriff's initials.

*County Sheriff's Response:*

*No response.*

CARROLL COUNTY  
CHARLES MAIDEN, JR., COUNTY SHERIFF  
COMMENTS AND RECOMMENDATIONS  
For The Year Ended December 31, 2003  
(Continued)

PRIOR YEAR:

Lacks Adequate Segregation Of Duties

This has not been corrected and is repeated.

The Sheriff Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits

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This has not been corrected and is repeated.

The Sheriff Should Reimburse The Fee Account For Salary Paid In Excess Of Statutory Maximum

This was corrected.

REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable Harold Tomlinson, Carroll County Judge/Executive  
The Honorable Charles Maiden, Jr., Carroll County Sheriff  
Members of the Carroll County Fiscal Court

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards

We have audited the statement of revenues, expenditures, and excess fees - regulatory basis of the Carroll County Sheriff for the year ended December 31, 2003, and have issued our report thereon dated July 7, 2004. This was a special report on the County Sheriff's financial statement prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Carroll County Sheriff's financial statement for the year ended December 31, 2003, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under Government Auditing Standards and which is described in the accompanying comments and recommendations.

- The Sheriff Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Carroll County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statement. A reportable condition is described in the accompanying comments and recommendations.

- Lacks Adequate Segregation Of Duties



Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is a material weakness.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a stylized, flowing script.

Crit Luallen  
Auditor of Public Accounts

Audit fieldwork completed -  
July 7, 2004

